Appendix A:
Rates and Charges Overview

INTRODUCTION

The objective of this Rates and Charges Overview is to document the Vermont Agency of Transportation's (VTrans) current policies and practices regarding rates and charges at general aviation (GA) airports and to assess the appropriateness of existing practices given Federal Aviation Administration (FAA) guidelines and practices adopted by other GA airports, especially state-owned GA airports.

KEY FINDINGS

- Federal policy for GA airports supports fee and rentals structures to help ensure that airports are as financially self-sufficient as possible, without discriminating against any particular user or user group.

- The average rate of all leases in 2005 at state-owned GA airports in Vermont is $0.084 per square foot.

- Vermont's average lease rate is higher as compared with Wisconsin ($0.06) but lower than Minnesota ($0.12 - $0.14) or in the states participating in a comprehensive study of general aviation rates conducted by the Wyoming Department of Transportation ($0.11 - $0.13).

- VTrans currently does not charge fuel or tie-down fees, but typically collects a flat fee from fixed base operators (FBOs) plus three percent of revenues in lieu of such charges.

- Surveys of other GA airports suggest many GA airports also collect revenues from fuel flowage and/or storage fees as well as tie-down fees.

Federal Policy

The FAA published a policy statement about airport rates and charges entitled "Policy Regarding Airport Rates and Charges," published in the Federal Register, Volume 61, Number 121, dated Friday, June 21, 1996. This policy assumes local institutions and markets will ensure compliance with guidelines and legal requirements.

Federal policy for setting airport rates and charges is based on four guiding principles:

- Rates, fees, rentals, landing fees and other service charges imposed on users of airport facilities must be fair and reasonable;
- Fees must not unjustly discriminate against aeronautical users or user groups;
- Fee and rental structures should be structured so as to make the airport as financially self-sustaining as possible; and
- Revenues generated by the airport typically must be used for airport purposes.

Current Practices at GA Airports

To understand the current rates and charges practices at GA airports nationally, WSA prepared a literature search of published policies, statewide surveys and GA airport business plans. These sources were reviewed to ascertain the prevalence and average rates of individual airport fees and charges as well as to determine the application of such fees as part of individual airport business plans. The largest single source of rates and charges at GA airports was an Update to the Rates and Charges Guide published by the Wyoming Department of Transportation (DOT) in 2004. This study reports on 66 GA airports across the western part of the United States. A full list of sources reviewed is included at the conclusion of this overview.

GA airports have limited sources for operating revenues in that their revenue-producing services primarily cater to non-commercial aviation and serve relatively low volumes of aircraft. In addition, many GA airports are un-towered facilities, making the collection of landing fees challenging. As a result, some airports package fees or charge higher rates on a more narrow range of services as compared with commercial airports. Accordingly, most GA airports rely on land leases and rents, hangar rentals, and fuel flowage fees as their primary income sources. This is true for state-owned GA airports such as those in Vermont as well as municipally and/or privately owned airports throughout the country.

The following provides a review of the some of the most common rates and charges used at GA airports.

LAND LEASES/RENTS

Property revenues collected at GA airports typically include the lease of building space and land for aviation and industrial/commercial uses. Aviation land refers to land leased to non-FBO aviation operators, such as charter operators and freight carriers; aviation land typically has taxiway or ramp access. Industrial/Commercial land includes land adjacent to the airport operations that generally does not have ramp or taxiway access. Hangar space is also an important revenue source; some airports lease land to private owners who build their own hangars and other airports build and rent hangar space themselves. In addition, some GA airports also lease land not needed for aeronautical purposes, such as agricultural uses.

Leases are typically charged according to a square footage rate and are set to reflect fair market rent. According to the Wyoming DOT survey conducted in 2003, 61 percent of the GA airports surveyed earned income from leased property and land, the most common of which was charges for hangar space. Average lease rates by type of rental are listed in **Table A-1**.

Table A-1
Survey Averages Property Land Lease Rates at GA Airports

Source	Aviation Land	Industrial/ Commercial	Hangar	Agricultural (per acre)
Wyoming Study	$0.15	$0.12	$0.10	n/a
Minnesota	$0.14	$0.13	$0.12	$67.25
Wisconsin	$0.06	$0.06	$0.09	$42.10

Note: Charges represent averages, based on dollars per square foot per year, agricultural per acre.
Sources: Wyoming DOT Rates and Charges Guide, Update 2004; Wisconsin DOT 2004 Airport Rates and Charges Survey; Minnesota DOT 2004 Rates and Charges Survey

FUEL FLOWAGE/STORAGE FEES

A second important source of revenues for GA airports is fuel storage or flowage fees. Fuel storage fees are per gallon fuel charges levied on an entity dispensing aviation fuel used, sold or transferred on airport property. Typically, both flowage and storage fees are passed on to the fuel purchasers.

According to the Wyoming DOT survey from 2003, 23 percent of the GA airports charge fuel flowage or storage fees. The Wyoming survey also notes that, when compared with Commercial Service airports, GA airports often levy substantially higher per gallon fuel storage or fuel flow charges. Likely reasons for the higher fees include using fuel fees as a mechanism to capture landing fees as well as the fact that GA airports sell a much smaller volume of fuel. **Table A-2** shows average fuel storage/flowage fees charged at GA airports by survey source.

Table A-2
Average Fuel Storage/Flowage Fees at GA Airports

Source	Fuel Storage Flowage – per gallon
Wyoming Study	$0.16
Minnesota	$0.06
Oregon*	$0.12
Wisconsin	$0.11 (100LL) $0.06 (Jet A)

Note: Oregon's rate set as maximum allowable charge
Sources: Wyoming DOT Rates and Charges Guide, Update 2004; Wisconsin DOT 2004 Airport Rates and Charges Survey; Minnesota DOT 2004 Rates and Charges Survey; Oregon Rates and Charges Policy, 2002.

TIE-DOWN FEES

Another common charge levied at GA airports is tie-down fees. Such fees may be levied on transient and permanently based aircraft. Rates are typically set according to length of stay (daily, weekly and monthly) and may vary according to aircraft type. About 16 percent of GA airports participating in the 2003 Wyoming survey reported charging tie-down fees. **Table A-3** highlights average tie-down fees charged at GA airports by aircraft type and length of stay.

Table A-3
Average Tie-Down Fees at GA Airports by Aircraft Type and Length of Stay

Source	Single-engine	Multi-engine	Jet Aircraft	All Aircraft Types
Overnight Rates				
WYDOT Study	$3.63	$6.88	$18.40	
Minnesota				$5.50
Wisconsin	$1.60	$1.60	n/a	
Monthly Rates				
WYDOT Study	$22.75	$32.86	$22.50	
Minnesota				$41.67
Oregon	$15.00	$20.00	n/a	
Wisconsin	$10.40	$10.40	n/a	

Source: Wyoming DOT Rates and Charges Guide, Update 2004; Wisconsin DOT 2004 Airport Rates and Charges Survey; Minnesota DOT 2004 Rates and Charges Survey; Oregon Rates and Charges Policy, 2002

Mobile Service Provider Fees

Some GA airports levy mobile service provider fees on persons or entities that provide commercial aeronautical services but do not operate out of owned or leased property at the airport. Examples of mobile service providers include mobile mechanics, flight instructors, mobile oil recyclers, etc. Such fees are typically small. In Minnesota, for example, GA airports charge mobile service provider fees between $15 and $25 per month for permits.

FBO Fees

In lieu of collecting fees on a service-by-service basis, many GA airports charge fixed base operators (FBOs) licensing or operating fees. FBO fees may be set as a flat rate on an annual or monthly schedule, as part of a lease rental (i.e. square footage charge) and/or a percentage of revenues. FBO charges typically include business licenses that permit the sale of specific services to general aviation users such as permanent and transient tie-downs, hangar space, fuel sales, mobile service providers, etc. According to the 2003 Wyoming survey, approximately 23 percent of GA airports responding to the survey charged FBOs some type of operating fee; such fees may or may not be in addition to other fees listed above.

Review of Select Individual Airport Rates and Charges

In addition to considering surveys of GA airport rates and charges, WSA also examined selected municipally owned airports in New England plus a fourth municipal airport in Arkansas for which information was readily available. The purpose of this review was to understand rates and charges at individual airports and the importance of different charges to airport operations. Airports reviewed include:

- Boire Field in Nashua, New Hampshire
- Lebanon Municipal Airport in Lebanon, New Hampshire
- Wiscasset Municipal Airport in Wiscasset, Maine
- North Little Rock Municipal Airport in Little Rock, Arkansas

Table A-4 shows the rates and charges at Boire Field and Wiscasset Municipal airports. The information provides an example of the range of fees charged as well as the amounts collected. Both of these airports are financially self-sufficient. Boire Field adjusts lease rates annually according to a multiplier based on the consumer price index (CPI).

Table A-4
GA Airports, Fee Rates or Portion of Operation Budget

Airport Name	Fees Types (Rates or Portion of Operating Budget)
Boire Field Nashua, NH	Land leases – aviation related $0.18/sq. foot Land leases – non-aviation $0.36/sq. foot Fuel flowage fees – $0.08/Avgas; $0.09 Jet fuel Tie-down fees – vary $30 - $60/month Overnight - $5/single; $10/multi; $15/jet Portion of excise taxes paid to state for aircraft registration
Wiscasset Municipal Airport Wiscasset, ME	Hangar land leases - $0.05/square foot Hangar space - $150/month/aircraft Tie-down fees - $5/night; $25/month Fuel flowage fees - $0.05/gallon

Sources: Interview with Airport Managers, Boire Field, NH and Wiscasset, Maine

Table A-5 highlights the portion individual fees that contribute to the airport's operating budget. In the case of Lebanon which has limited commercial air services, landing fees represent the most significant portion of revenue (34 percent), followed closely by land leases and rents (22 percent). For North Little Rock Municipal Airport, leases and rentals comprise 87 percent of the airport's operating budget.

Table A-5
Rates and Charges as a Portion of GA Airport Operation Budget

Airport Name	Fees Types (Rates or Portion of Operating Budget)
Lebanon Municipal Airport West Lebanon, NH	Landing fees (34 percent) Land leases and rents (22 percent) Parking fees (20 percent) Fuel flowage fees (9 percent) FBO commissions (6 percent) Portion of excise taxes paid to state for aircraft registration
North Little Rock Municipal Airport Little Rock, AR	Leases and rentals (87 percent) Aircraft hangar storage (6 percent) Fuel (2 percent) Tie-down fees (1 percent)

Source: Airport Business Plan, Lebanon Municipal Airport, revised 2004; North Little Rock Municipal Airport, Airport Business Plan.

CURRENT PRACTICE IN VERMONT

There are currently FBOs at nine of the 10 State-owned GA airports in Vermont. In each case, FBOs function as private entities that operate aviation-related businesses at their respective airports. In addition, some FBOs provide basic airport maintenance services for VTrans by maintaining the airports on a daily basis to meet FAA operating standards and guidelines. Vermont pays these FBO approximately $12,000 - $15,000 per year for these basic airport maintenance services.

FBOs, on the other hand, pay the State for use of the State-owned airport facilities, including rents on airport land and property; FBOs pay a flat fee of $550 per month plus a percentage of their gross income, which can range from three to one and one-half percent, with most agreements held at three percent. FBO operators are permitted to charge fair and reasonable rates for the services they provide at the airport, such as tie-downs, aircraft maintenance, etc. Exceptions to these State fees are granted on a case by case basis, as the State recognizes challenges associated with earning revenues at some of Vermont's more remote airports.

Individuals and organizations also lease land and/or hangar space from the State. Vermont typically leases land rather than hangar space. Leases are offered for a 25-year period with four renewal increments every five years. The State retains the right to increase rents based on changes in the Consumer Price Index (CPI). Most leases also permit the State to increase rates annually. Generally-speaking, however, unless something changes and there is a reason to renegotiate the lease, the State will only reconsider terms every five years.

Table A-6 highlights each of the state-owned airports in Vermont together with the lease rates charged at each airport. The average rate for land and ground leases at state-owned GA airports in Vermont is approximately $0.089 per square foot.

Table A-6
Lease Rates at Vermont's State-owned GA Airports

Airport	FBO	Number and Type Of Leases	Rate per Square Foot
Caledonia County	No	11 ground leases and 6 personal tenants	$0.075
E.F. Knapp	Yes	21 leases; 14 ground leases; 1 restaurant lease 1 FBO lease; 1 office space lease 6 ground leases pending	$0.10
Franklin County*	Yes	42 leases, 1 FBO lease and 1 Commercial lease; 4 leases and several amendments pending	$0.085
Hartness	Yes	4 land leases, 1 FBO lease and 3 ground leases	$0.085
J. H. Boylan	Yes	1 ground lease and 1 house/apt. lease 1 lease pending	$0.045
Middlebury	Yes	11 leases, 1 FBO lease and 1 commercial lease 2 leases pending	$0.085
Morrisville/Stowe	Yes	13 leases and 1 FBO lease 2 leases pending	$0.10
Newport	Yes	12 leases and 1 FBO lease	$0.085
Rutland	Yes	27 leases, 1 FBO and 5 commercial leases	$0.10
W.H. Morse	Yes	22 leases and 1 FBO lease	$0.08

Source: VTrans, November 2005
Notes: Shown rates indicate current charges; several rates are under negotiation.

Summary of Results

The results of this brief review and analysis of Vermont's airport rates and charges at State-owned airports in comparison to those charged by other GA airports throughout the U.S. has shown Vermont's current policies are much different than those used by others in various parts of the country. As the owner of 10 airports, some of which are located in remote areas, Vermont has chosen to implement a system whereby the rates and charges, and even payments, provide on-site services to the airports and the users at a price that does not return a profit to VTrans. While GA airports throughout the country are more likely to rely on some form of subsidy to meet operational needs, since Vermont's airports are State-owned, the subsidy comes from the State when the rates and charges do not provide sufficient revenue to meet the operational needs.

It appears there is a need to review the process used by VTrans to set the rates and charges. The current process has been conducted on an ad hoc basis without an established policy by a staff member who is not part of the aviation team. This staff member has worked diligently to establish reasonable rates and charges at the airports given the conditions in each community and the demand for aviation services.

Without a dedicated full-time aviation resource to monitor and evaluate the rates and charges, a policy should be developed to ensure the ability of VTrans to effectively manage the leases, rates, and charges at the State-owned airports for the long term. Establishment of a policy is recommended for VTrans to formally implement an up-to-date, reasonable rates and charges plan. While an across-the-board policy is not likely to be effective given the varying conditions in each community and the level of aviation demand, this policy could address the specific issues and provide a mechanism for review and update in the future as conditions warrant.

There are other issues that could be considered as part of a detailed analysis of Vermont's rates and charges at State-owned airports. These include state ownership of hangars, revision of privately-built hangars to the State at the end of the ground lease, fuel flowage and other fees, annual increases based on the Consumer Price Index (CPI), and requirements for service provision. All of these issues should be examined on an individual basis for their appropriateness for each airport.

These issues and others are typically addressed through detailed business planning for individual airports. Business planning looks at each airport's opportunities based on its location, role in the system, and community assets, and evaluates the potential revenues and expenses based on these conditions. Development of business plans would address these rates and charges, as well as one of the goals of the Policy Plan which identified striving to generate appropriate revenues utilizing a business-oriented approach. VTrans is undertaking business plans for the State-owned airports which should be completed by 2009.

SOURCES:

Minnesota Rates and Charges Survey, 2004
Published by Minnesota Airport Development Section; Survey of 23 airports in State of Minnesota.

Oregon State-Owned Airports Rates and Charges Policy, 2002
Oregon Department of Aviation

Wyoming Airport Rates and Charges Guide, Updated 2004
Published by Wyoming Department of Transportation, Aeronautics Division, Report includes self-reporting survey of 90 NPIAS Airports (66 designated as GA) from Wyoming, Arizona, Colorado, Idaho, Montana, Nebraska, South Dakota and Utah.

Airport Business Plan, Lebanon Municipal Airport, West Lebanon New Hampshire, 2004

North Little Rock Municipal Airport, Airport Business Plan

Telephone Interviews with Boire Field Airport Manager and Wiscassett Municipal Airport Manager